

IRS e-file Updates for Tax Year 2005

Revenue Procedure 2005-60

Revenue Procedure 2005-60, effective August 29, 2005, was published in the Internal Revenue Bulletin No. 2005-35, and is available on irs.gov. It combines the rules governing IRS *e-file* for (1) Form 1040 and 1040A, U.S. Individual Income Tax Return and Form 1040EZ, Income Tax Return for Single and Joint Filers With No Dependents; contained in Publication 1345, Handbook for Authorized IRS *e-file* Providers of Individual Income Tax Returns; (2) Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return contained in Rev. Proc. 2001-9; and (3) the rules governing electronic filing for the Form 941, Employer's Quarterly Federal Tax Return contained in Rev. Proc. 99-39.

Revenue Procedure 2005-60 also governs IRS *e-file* for (1) Form 1120, U.S. Corporation Income Tax Return; (2) Form 1120S, U.S. Income Tax Return for an S Corporation; (3) Form 990, Return of Organization Exempt From Income Tax; and (4) Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as a Private Foundation.

The revenue procedure also advises Authorized IRS *e-file* Providers to have security systems in place to prevent unauthorized access to taxpayer accounts and personal information by third parties.

Security and Unauthorized Access to Taxpayer Information

The security of taxpayer accounts and personal information is a top priority for the IRS. It is the responsibility of each Authorized IRS *e-file* Provider to have security systems in place to prevent unauthorized access to taxpayer accounts and personal information by third parties. The Gramm-Leach-Bliley Act, codified at 15 U.S.C. 6801-6827, includes rules applicable to Authorized IRS *e-file* Providers that are designed to ensure the security and privacy of taxpayer information. Violation of the provisions of the Gramm-Leach-Bliley Act and the implementing rules and regulations promulgated by the Federal Trade Commission, or violations of the non-disclosure rules contained in sections 6713 or 7216 or the regulations promulgated thereunder, are considered violations of revenue procedure 2005-60 and may subject an Authorized IRS *e-file* Provider to the sanctions provided in section 7 of this revenue procedure.

Record Keeping Requirements

EROs must retain and make available to the IRS upon request, until the end of the calendar year in which a return was filed, the following material at the business address from which the return was originated. An ERO may retain the required records at the business address of the Responsible Official during any period of time the office is closed.

- Copy of signed Form 8453, any supporting documents that are not included in the electronic return data.
- Copies of Forms W-2, W-2G, and 1099-R;
- Copy of signed IRS *e-file* consent to disclosure forms for taxpayers who signed using an electronic signature;
- Complete copy of the electronic portion of the return that can be readily and accurately converted into an electronic transmission that the IRS can process; and
- The acknowledgment file for IRS accepted returns.

Forms 8879 and 8878 must be available to the IRS in the same manner described above, for three years from the due date of the return or the IRS received date, whichever is later.

IRS e-file Application

The definition of a Large Taxpayer as shown in Publication 3112, *IRS e-file Application and Participation*, Rev. 11-04, is changed to read as shown below :

A Large Taxpayer is a business or other entity with assets of \$10 million or more, or a partnership with more than 100 partners, that originates the electronic submission of its own return(s). A Large Taxpayer continues to not be an Authorized IRS *e-file* Provider.

New PIN Error Reject Code

ERO and Transmitters must ensure that when their client chooses to use one of the electronic signature methods that the PIN Type Code, P, S, or O is present in the Authentication Record, if not the return will reject with the **new Error Reject Code 1155**.

EITC Qualifying Child Certification Test

For 2006, the IRS will continue testing a certification requirement for certain EITC taxpayers. The test will be the same size as previous tests – 25,000 taxpayers. However, the 2006 test will differ slightly from the 2005 test in that the IRS will not be conducting a sample from a single community. The sample for the 2006 test will be drawn randomly from across the nation. The focus for the 2006 test will be to improve the selection methodology which will allow the IRS to gain additional insight as it continues the certification evaluation process.

Notices for the 2006 test were mailed out in early October 2005 with additional reminders forwarded to taxpayers in November 2005. In addition to improving our selection methodology for the test, added enhancements to the telephone routing system will provide additional levels of service to taxpayers requesting assistance in completing certification forms. Taxpayers who are selected for the qualifying child certification test will receive an EIC indicator of "Y" on their acknowledgement record for their e-file returns.

As with earlier tests, the goal of the 2006 test is to evaluate the effect of a certification requirement both on the level of erroneous payments and participation by eligible taxpayers. As the IRS continues its evaluation of this test, it has no plans to impose a blanket qualifying child certification requirement until a thorough evaluation of the 2004, 2005 and 2006 tests are completed. The IRS is committed to actively engaging stakeholders through the testing process.

Form 8453, U.S. Individual Income Tax Declaration for an IRS e-file Return

Two Submission Processing Centers will process Tax Year 2005 Forms 8453. Andover will process Tax Year 2005 Forms 8453 for returns transmitted to Andover and Kansas City. Austin will process Tax Year 2005 Forms 8453 for returns transmitted to Austin, Fresno and Philadelphia. A return accepted with an electronic signature method (PIN) does not require submission of a Form 8453.

Acceptable attachments to Tax Year 2005 Form 8453, U.S. Individual Income Tax Declaration for an IRS *e-file* Return, include:

- Form 1098-C, *Contributions of Motor Vehicles, Boats, and Airplanes* (or acceptable documentation/required Donor Documentation)
- Form 3115, *Application for Change in Accounting Method*
- Form 3468, *Investment Credit, Historic Structure Certificate*
- Form 4136, *Credit for Federal Tax Paid on Fuels* (if certificate and/or reseller statement is required)
- Form 5713, *International Boycott Report*
- Form 8283, *Noncash Charitable Contributions, Section B Appraisal Summary*
- Form 8332, *Release of Claim to Exemption for Child of Divorced or*

Separated Parents

- Form 8858, *Information Return of U.S. Persons With Respect To Foreign Disregarded Entities*
- Form 8864, *Biodiesel and Renewable Diesel Fuels Credit* (if certificate and/or reseller statement is required)
- Form 8885, *Health Coverage Tax Credit*

NOTE: Taxpayers required to file the above forms are not eligible to use a PIN signature method. Paper Document Indicator(s) must be entered in the appropriate field(s) of the Summary Record.

IRS e-file Signature Authorizations

Form 8879, *IRS e-file Signature Authorization*, and Form 8878, *IRS e-file Signature Authorization for Application for Extension of Time to File*, have been revised for Tax Year 2005 to include the Electronic Funds Withdrawal (EFW) consent language in Part II. When a taxpayer completes a Form 8879 or 8878 which includes the EFW statement, there is no need to provide them with a separate copy of the EFW language as you may have done in the past. Many software products are designed to include Form 8879 and/or Form 8878. Note that the EFW statement in Part II of Form 8878 does not apply to Form 9465 filers.

As a reminder, when applicable, Forms 8879 and 8878 must be completed and signed by the taxpayer before a tax return or application is transmitted, or released for transmission to IRS. **DO NOT SEND** Forms 8879 or 8878 to the IRS unless requested to do so. Retain these forms for your records either in hardcopy or electronically. Refer to Publication 1345, Handbook for Authorized e-file Providers of Individual Income Tax Returns, and Form 8879 and 8878 instructions for additional information.

PIN Presence Indicator (Acknowledgement File)

The PIN Presence Indicator (SEQ 0065) has been changed in the Acknowledgement File Record. The value for "No PIN Present" has been change to "9" (previous value was "0"). It is important to check the Acknowledgement File or other documentation received to determine if taxpayer PIN(s) was accepted by IRS. If value 9 is received, Form 8453 is required to be submitted to the IRS. Individual income tax returns are not considered complete unless signed by the taxpayer.

Self Select PIN/AGI

Electronic Return Originators should encourage their clients who choose to use the Self-Select PIN method but don't have their original prior year AGI on hand, to call the toll-free 1-800- 829-1040 line to obtain the AGI amount from the IRS. This will ensure that the e-file return is not rejected for a mismatch AGI entry.

ITIN Reminders

If a client presents an Individual Taxpayer Identification Number and a Form W-2 showing a Social Security Number, the tax return must be filed on paper. E-file rules do not permit an Electronic Return Originator to alter information on a wage document and mismatched taxpayer identification numbers will cause an e-filed return to reject.

In cases where a current year return has already been filed that excluded a spouse, or dependent who needs an ITIN, the taxpayer should complete Form 1040X, Amended U.S. Individual Income Tax Return, showing the ITIN applicant's information, and attach it to Form W-7. For more information about filing with ITINs, go to the Tax Professionals Corner at www.irs.gov.

New Form(s)/Schedule(s)

Nine (9) additional forms will be accepted for Electronic Filing of Individual Income Tax Returns for Tax Year 2005:

- Form 5884-A – Hurricane Katrina Employee Retention Credit
- Form 8609-A – Annual Statement of Low-Income Housing Credit
- Form 8854 – Initial and Annual Expatriation Information Statement
- Form 8864 – Biodiesel and Renewable Diesel Fuels Credit
- Form 8896 – Low Sulfur Diesel Fuel Production Credit
- Form 8901 – Information on Qualifying Children Who are not Dependents
(For Child Tax Credit Only)
- Form 8903 – Domestic Production Activities Deduction
- Form 8914 - Exemption Amount for Taxpayers Housing Individuals
Displaced by Hurricane Katrina
- Form 8915 – Qualified Hurricane Katrina Retirement Plan Distributions
and Repayments

RAL Indicator Changed

The RAL Indicator is a required field for Forms 1040, 1040A and 1040EZ. The field description for the RAL Indicator (SEQ 1465) has changed to the following:

- “0” = No Bank Product (No bank product was issued)
- “1” = Pre-Refund Products or a Loan Product similar to RAL
(Money borrowed by a taxpayer, from a lender, based on the taxpayer's anticipated income tax refund)
- “2” = Post-Refund Products, Non-Loan Product similar to RAC
(Taxpayers may choose this product to have preparers and other fees deducted from their refund instead of paying them up front. This choice uses direct deposit into a bank account usually set up by the preparer at a participating bank. The taxpayer is issued their refund after the IRS deposits it and the preparer has subtracted his/her fees).

NOTE: Error Reject Code 0299 has been revised to reflect this change.

Accepted Forms and Schedules Information

The following chart identifies the forms and schedules accepted for TY2005 IRS *e-file* and the maximum number of each that may be submitted with each return or as an electronically transmitted document.

Form/Schedule	Maximum #	Form/ Schedule	Maximum #
Form 1040	1	Form 3903	2
Schedule A&B	1	Form 4136	1
Schedule C	8	Form 4137	1 per taxpayer*
Schedule C-EZ	1 per taxpayer*	Form 4255	1
Schedule D	1	Form 4562	30
Schedule E	15**	Form 4563	2
Schedule EIC	1	Form 4684	5
Schedule F	5	Form 4797	1
Schedule H	1 per taxpayer*	Form 4835	4
Schedule J	1	Form 4952	1
Schedule R	1	Form 4970	1
Schedule SE	1 per taxpayer*	Form 4972	1 per taxpayer*
Form 1040A	1	Form 5074	1
Schedule 1	1	Form 5329	1 per taxpayer*
Schedule 2	1	Form 5471	1
Schedule 3	1	Schedule J	1
Form 1040EZ	1	Schedule M	5
Form 1099-R	20	Schedule N	1
Form W-2	50	Schedule O	5
Form W-2G	30	Form 5713	1
Form W-2GU	10	Schedule A	5
Form 970	2	Schedule B	5
Form 982	2	Schedule C	1
Form 1116	20	Form 5884	1
Form 1310	2	Form 5884-A	1
Form 2106	2 per taxpayer****	Form 6198	10
Form 2106-EZ	1 per taxpayer*	Form 6251	1
Form 2120	4	Form 6252	10
Form 2210	1	Form 6478	1
Form 2210F	1	Form 6765	1
Form 2439	4	Form 6781	1
Form 2441	1	Form 8082	4
Form 2555	1 per taxpayer*	Form 8271	2
Form 2555EZ	1 per taxpayer*	Form 8275	1
Form 3468	1	Form 8275-R	1
Form 3800	1	Form 8283	1

Accepted Forms and Schedules Information (Cont.)

Form/Schedule	Maximum #		Form/ Schedule	Maximum #
Form 8379	1		Form 8864	1
Form 8396	1		Form 8865	5
Form 8582	1		Schedule K-1	10
Form 8582-CR	1		Schedule O	5
Form 8586	1		Schedule P	5
Form 8594	1		Form 8866	5
Form 8606	1 per taxpayer*		Form 8873	10
Form 8609-A	10		Form 8874	1
Form 8611	5		Form 8880	1
Form 8615	1		Form 8881	1
Form 8621	5		Form 8882	1
Form 8689	1		Form 8884	1
Form 8697	4		Form 8885	2
Form 8801	1		Form 8886	10
Form 8812	1		Form 8889	2
Form 8814	10		Form 8891	10
Form 8815	1		Form 8896	1
Form 8820	1		Form 8901	1
Form 8824	5		Form 8903	1
Form 8826	1		Form 8914	1
Form 8828	1		Form 8915	1 per taxpayer*
Form 8829	32***		Authentication Record	1
Form 8830	1		Form Payment	2
Form 8833	10		Form T	10
Form 8834	5		ST 0001	1
Form 8835	1		ST 0002	9
Form 8839	3		Electronic Transmitted Documents (ETD)	
Form 8844	1			
Form 8845	1		Electronic Transmitted Documents (ETD)	
Form 8846	1			
Form 8847	1		Authentication Record	1
Form 8853	1		Form Payment	3
Form 8854	2		Form 56	1
Form 8859	1		Form 2350	1
Form 8860	1		Form 4868	1
Form 8861	1		Form 9465	1
Form 8862	1			
Form 8863	1			

* Maximum of two per return on a joint return (one for each taxpayer)

**Maximum of 45 (three rental properties on each Schedule E)
 ***Up to four forms 8829 for each Schedule C

****Maximum of four per return on a Joint Return (two for each taxpayer)

Country Codes for Forms 2555/2555EZ and Foreign Employer Compensation Record (FEC Record)

If the country is not listed, use **Country Code “XX”** – Other Countries

Country	Code
Afghanistan	AF
Albania	AL
Algeria	AG
Andorra	AN
Angola	AO
Anguilla	AV
Antarctica	AY
Antigua & Barbuda	AC
Argentina	AR
Armenia	AM
Aruba	AA
Ashmore & Cartier Islands	AT
Australia	AS
Austria	AU
Azerbaijan	AJ
Bahamas The	BF
Bahrain	BA
Bangladesh	BG
Barbados	BB
Belarus	BO
Belgium	BE
Belize	BH
Benin	BN
Bermuda	BD
Bhutan	BT
Bolivia	BL
Bosnia and Herzegovina	BK
Botswana	BC
Bouvet Island	BV
Brazil	BR
British Indian Ocean Territory	IO
Brunei	BX
Bulgaria	BU
Burkina Faso	UV
Burma	BM
Burundi	BY
Cambodia	CB
Cameroon	CM
Canada	CA
Cape Verde	CV
Cayman Islands	CJ

Country	Code
Central African Republic	CT
Chad	CD
Chile	CI
China	CH
Christmas Islands	KT
Clipperton Islands	IP
Cocos (Keeling Islands)	CK
Colombia	CO
Comoros	CN
Congo (Brazzaville)	CF
Congo (Kinshasa)	CG
Cooks Islands	CW
Coral Sea Islands	CR
Costa Rica	CS
Cote d'Ivoire	IV
Croatia	HR
Cuba	CU
Cyprus	CY
Czech Republic	EZ
Denmark	DA
Djibouti	DJ
Dominica	DO
Dominican Republic	DR
Central African Republic	CT
Chad	CD
Chile	CI
East Timor	TT
Ecuador	EC
Egypt	EG
El Salvador	ES
Equatorial Guinea	EK
Eritrea	ER
Estonia	EN
Ethiopia	ET
Falkland Islands	FK
Faroe Islands	FO
Fiji	FJ
Finland	FI
France	FR
French Polynesia	FP
French Southern & Antarctic Lands	FS

Country Codes for Forms 2555/2555EZ and Foreign Employer Compensation Record (FEC Record)

If the country is not listed, use **Country Code “XX”** – Other Countries

Country	Code	Country	Code
Gabon	GB	Liberia	LI
Gambia The	GA	Libya	LY
Georgia	GG	Lichtenstein	LS
Germany	GM	Lithuania	LH
Ghana	GH	Luxembourg	LU
Gibraltar	GI	Macau	MC
Greece	GR	Macedonia, The Former Yugoslav Republic of	MK
Greenland	GL	Madagascar	MA
Grenada	GJ	Malawi	MI
Guatemala	GT	Malaysia	MY
Guernsey	GK	Maldives	MV
Guinea	GV	Mali	ML
Guinea-Bissau	PU	Malta	MY
Guyana	GY	Man, Isle of	IM
Haiti	HA	Marshall Islands	RM
Heard Island & McDonald Islands	HM	Mauritania	MR
Herzegovina and Bosnia	BK	Mauritius	MP
Holy City	VT	Mayotte	MF
Honduras	HO	Mexico	MX
Hong Kong	HK	Micronesia, Federated States of	FM
Hungary	HU	Moldova	MD
Iceland	IC	Monaco	MN
India	IN	Mongolia	MG
Indonesia	ID	Montenegro & Serbia	YI
Iran	IR	Montserrat	MH
Iraq	IZ	Morocco	MO
Ireland	EI	Mozambique	MZ
Israel	IS	Namibia	WA
Italy	IT	Nauru	NR
Jamaica	JM	Nepal	NP
Jan Mayen	JN	Netherlands	NL
Japan	JA	Netherlands Antilles	NT
Jersey	JE	New Caledonia	NC
Jordan	JO	New Zealand	NZ
Kazakhstan	KZ	Nicaragua	NU
Kenya	KE	Niger	NG
Kiribati	KR	Nigeria	NI
Korea, North	KN	Niue	NE
Korea, South	KS	Norfolk Island	NF
Kuwait	KU	Norway	NO
Kyrgyzstan	KG	Oman	MU
Laos	LA	Pakistan	PK
Latvia	LG	Palau	PS
Lebanon	LE	Panama	PM
Lesotho	LT	Papua New Guinea	PP

Country Codes for Forms 2555/2555EZ and Foreign Employer Compensation Record (FEC Record)

If the country is not listed, use **Country Code “XX”** – Other Countries

Country	Code
Paraguay	PA
Peru	PE
Pitcairn Islands	PC
Poland	PL
Portugal	PO
Qatar	QA
Romania	RO
Russia	RS
Rwanda	RW
Saint Helena	SH
Saint Kitts & Nevis	SC
Saint Lucia	ST
Saint Pierre & Miquelon	SB
Saint Vincent & The Grenadines	VC
Samoa	WS
San Marino	SM
Sao Tome and Principe	TP
Saudi Arabia	SA
Senegal	SG
Serbia & Montenegro	YI
Seychelles	SE
Sierra Leone	SL
Singapore	SN
Slovakia	LO
Slovenia	SI
Solomon Islands	BP
Somalia	SO
South Africa	SF
South Georgia & The South Sandwich Islands	SX
Spain	SP
Spratly Islands	PG
Sri Lanka	CE
Sudan	SU
Suriname	NS

Country	Code
Svalbard	SV
Swaziland	WZ
Sweden	SW
Switzerland	SZ
Syria	SY
Taiwan	TW
Tajikistan	TI
Tanzania	TZ
Thailand	TH
Togo	TO
Tokelau	TL
Tonga	TN
Trinidad & Tobago	TD
Tunisia	TS
Turkey	TU
Turkmenistan	TX
Turks and Caicos Islands	TK
Tuvalu	TV
Uganda	UG
Ukraine	UP
United Arab Emirates	AE
United Kingdom	UK
Uruguay	UY
Uzbekistan	UZ
Vanuatu	NH
Venezuela	VE
Vietnam	VM
Virgin Islands, British	VI
Wallis & Futuna	WF
Yemen	YM
Zambia	ZA
Zimbabwe	ZI
All other countries	XX

Note: For electronic filing only, enter alphabetic value “US” (not shown in the Country Code Table) for the Country Code, Field No. 0130, of the Foreign Employer Compensation Record (FEC Record) when services for foreign employer were performed in the U.S.